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## Riley, Folsom split on grocery tax

*By Phillip Rawls*

If Alabamians vote in November on a constitutional amendment to remove the state sales tax from groceries, the Republican governor said he would oppose it, and the Democratic lieutenant governor said he would support it.

Gov. Bob Riley said he doesn't want to pay for the tax break on groceries by repealing the state's income tax deduction for federal taxes paid. He said that change could cause 30 percent of Alabamians to pay more taxes than they would save on groceries.

"(Lt. Gov. Jim) Folsom feels removing the grocery tax will provide much needed tax relief for hardworking families and help them keep more of their money in their pockets," Folsom spokesman Chip Hill said.

On Tuesday, the House approved a proposed constitutional amendment by Rep. John Knight, D-Montgomery, that would erase the state's 4 percent sales tax on groceries, raise the threshold at which low-income families start paying income taxes and end the state's income tax deduction for federal taxes paid, which primarily benefits middle-income and upper-income taxpayers.

Legislative fiscal experts predict eliminating the tax deduction would generate \$345 million next year, while the proposed tax breaks would cost \$320 million. That means the constitutional amendment would generate an extra \$25 million next year in tax revenue that would go to public education.

If Knight's proposed constitutional amendment wins approval from the Senate, it won't go to the governor's desk for a signature or veto. Instead, it will go before Alabama voters in a statewide referendum on Nov. 4 to determine if it will take effect.

Riley said he would prefer bills he has proposed to raise the income tax threshold for families without requiring anyone to pay more taxes.

Riley's bills have stalled in the House due to opposition from the Alabama Education Association and other groups. AEA traditionally opposes any bill to cut sales or income taxes unless there is a companion bill to raise another tax to make up the lost revenue.

Alabama and Mississippi are the only states that don't remove all or part of their state sales tax from food or that don't have a tax rebate for food purchases by the poor.

Alabama, Iowa and Louisiana are the only states that allow citizens to deduct their federal income taxes from their state taxes.

Ending that tax deduction was part of the \$1.2 billion tax package that Riley proposed in 2003. Alabama voters defeated the package by a 2-to-1 margin.